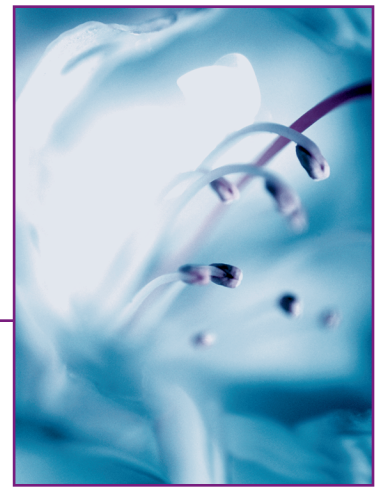


TOPICS & REPORT

Teachers' Retirement System of the State of Illinois



Executive director's message



Jon Bauman
Executive Director

Destroying public pension myths

A couple of guys on the Discovery Channel have great fun busting myths. They destroy things. They blow things up. When it's all

over, they decide whether a myth is a myth or whether it is a fact. Since I am here to bring you "just the facts," I'm taking aim at some popular "urban legends" involving public pensions. Let's see if they are myths or facts.

Myth No. 1: Defined contribution plans cost less.

Most public pensions are structured like TRS to pay a guaranteed percentage of one's final average salary as a pension. That's what we mean by a defined benefit plan.

In the private sector, many workers are covered by a defined contribution (DC) plan. The contribution may be any amount up to certain limits. Contribution examples by Illinois and other states to their DC plans are listed below:

Illinois State Universities	7.6%
Michigan State Employees	up to 7.0%
Florida Retirement Systems	9.0%
Colorado PERA	10.15%
Ohio PERS	8.5%
South Carolina Retirement Systems	8.55%

In comparison, the full employer cost of credit earned under the TRS defined benefit plan in the 2006 and 2007 school years is pegged at 8.2 percent of payroll and it is projected to decline in later years.

The costs are much the same. It's a myth that defined contribution plans cost less.

So why are state-funded pensions in Illinois the target of folks who say they cost too much? Let's move on to Myth No. 2.

Myth No. 2: Deferring contributions saves money.

Cutting appropriations for pensions "saves money." Well, does it? Let's answer the question by doing an experiment.

Say you buy a car for \$25,000 and make payments of \$200 a month for five years. Anybody who has bought a car knows the monthly payment is way more than \$200. What happens? At the end of five years, you have a car with a lot of miles on which you still owe a bunch of money. Why? The same compound interest that makes your savings grow makes your debt grow as well.

At TRS, the interest on the unfunded liability (a form of debt owed by the state) compounds at 8.5 percent per year. So do you save money by not paying current expenses when they are due? Not unless the state invests the money elsewhere and earns more than the 8.5 percent rate. So far, that's never happened.

Another myth shattered.

Highlights

Page 2

- TRS investments fuel the economy

Page 3

- Legislative update
- Public Act 94-0004 implemented

Page 4

- Steps to first retirement check

Page 5

- Check beneficiary designation
- Benefit Choice Period
May 1 through 31
- Plan for contribution limits

Page 6

- Your records are confidential
- Investor traps

Page 7

- Retiree turns 105 years old

Director's message continued on page 2



Retirement Security for Illinois Educators



TRS investments fuel the economy, produce robust returns

The next time you rent a car at Hertz, buy coffee at Dunkin' Donuts, or shop at Neiman Marcus, keep in mind that TRS owns a stake in each of these companies. It is part of a thriving asset class called private equity that has helped boost TRS assets to a record level of \$36 billion.

Private equity involves investment firms that pool money from endowments, pension plans, and other institutional investors. The money is used to buy publicly and privately held companies and assume their debt. Many private equity firms then restructure the companies' capital structures and management strategies in order to improve their overall performance and profits.

Private equity bolsters the economy by providing the capital to start-up companies, also known as venture capital, and allowing growth at established firms. And in recent years, investment returns have been phenomenal. As of

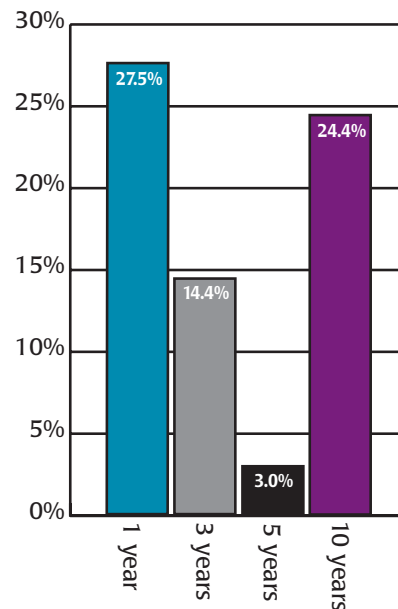
December 31, 2005, TRS has committed just \$1.1 billion or 3.3 percent of its investment portfolio to private equity. Yet private equity has outperformed all other asset classes. TRS reaped a 27.5 percent rate of return last year and a 24.4 percent 10-year return, gross of fees.

Some private equity managers target the purchase of companies by industry sector, such as communications, consumer, energy and power, financial services, health care, and retail. These opportunities are allowing TRS to help fund capital improvements to the North American Power Transmission Grid, to develop renewable energy sources, and to produce oil and gas. TRS is also investing in banks and other companies within the financial services sector.

But most of the private equity commitments made by TRS are invested across a variety of sub-sectors. TRS has a stake in ownership of Insight Communications, AMC Theaters, U.S. Cellular, Perkins

Private Equity Returns (gross of fees)

As of December 31, 2005



Restaurants, MGM Studios, and Linens-N-Things, just to name a few. Consumers of these companies are not only fueling economic growth but are also contributing to TRS's investment returns. 

Executive director's message *(continued from page 1)*

Myth No. 3: The taxpayer pays for public pensions.

Nationwide, investment earnings and employee contributions cover 75 percent of the cost of a public pension. In Illinois, it's a bit more, because TRS investment performance ranks near the top, and because TRS members pay a higher proportion of the cost of their pensions than their colleagues in other states.

You might ask, "How did this myth get started?" This may be subject to debate, but here is

my take. In the private sector, the employee rarely makes any contribution for a defined benefit pension. That's because federal tax laws give huge benefits to employers who have retirement plans. So many folks think that public pensions are entirely funded by the taxpayer. It's just not true. Our investment returns pay well over half, members contribute from their paychecks, and the state pays the rest.

Another myth destroyed.


As the end of the school year approaches, we send our best wishes for a safe and enjoyable summer. May you be blessed with friends, family, and much happiness.

Jon Bauman
Executive Director

Legislative update

At press time, the General Assembly was still in session. Please check the Legislative area of our Web site, trs.illinois.gov, for any actions that have occurred since this printing.

Return to work provision passes House and Senate

House Bill 5331, which extends the return to work provisions for annuitants until 2011, was passed in the House and unanimously approved by the Senate. The bill is awaiting the Governor's signature to become a law. The legislation allows annuitants to return to work for up to 120-paid days or 600-paid hours in a TRS-covered position. The current return to work provision expires on June 30, 2006 and the post-retirement limitations will revert to 100-paid days or 500-paid hours. 

Public Act 94-0004 has been implemented

Background

Public Act 94-0004 became law on June 1, 2005. Over the summer and fall, TRS worked closely with its stakeholder groups in the education community to craft rules to implement the act. The act imposes employer contributions on salary increases over 6 percent that are used in the final average salary calculation and sick leave awards that exceed a district's normal annual allotment made in anticipation of retirement.

The rules became effective December 23, 2005. The rules governing Public Act 94-0004 have been in effect for over four months. The act created the need for new documentation from districts and has generated employer questions and member misconceptions that will be clarified in this article.

Smooth implementation, new requirements

Implementation of the law has been fairly smooth. The data collected by the Employer Services Department over the summer and fall has provided TRS with a good information base to administer the new law.

In addition to information already gathered from districts, TRS is now requiring an employer to complete a sick leave certification

form along with the supplementary report for retiring members. This form captures information about sick leave that was granted during the four years prior to retirement.

Each fall, TRS will send an affidavit to each employer that has a grandfathered contract or collective bargaining agreement. The employer must inform TRS of any conditions that would cause a contract or collective bargaining agreement to lose its exempt status.

Employer questions

Employers with questions or concerns with the act should contact the TRS Employer Services Department because the vast majority of Public Act 94-0004 questions are easily answered at the Employer Services level. TRS's Public Act 94-0004 rules are not as complicated as some believe and involving school district counsel is often unnecessary.


The TRS Legal Department has received numerous requests from school districts seeking legal opinions about whether employers will owe 6 percent final average salary employer contributions. The calculation and assessment of employer contributions is a staff determination, not a legal opinion. TRS staff is always available to provide



reporting guidance and to answer any employer questions. Employers may call TRS at (888) 877-0890.

Member misconceptions

The two most common member misconceptions about the new law are that "salary" for Public Act 94-0004 purposes is different than for creditable earning purposes and that if a member receives more than a 6 percent increase in salary in any school year there will be a 6 percent final average salary employer contribution.

At this point, the "salary" definition for final average salary employer contributions is the same as for creditable earnings. However, there is proposed legislation to exempt certain "salary" items from the final average salary employer contribution. TRS will keep you posted on its progress. Furthermore, only increases in excess of 6 percent in final average salary years are subject to employer contributions. 

Steps to your first retirement check in 2006

While our number of retirements is not expected to reach the elevated 2005 levels, we still plan on completing approximately 4,000 retirements this spring. Regardless of our retirement numbers, we strive to make the retirement process as efficient as possible for you. Read more to find out about the retirement process from start to finish.

Personalized Retirement Interview (PRI)

To save you time and effort, we have made it easy to begin the retirement process. We offer retirement interviews by phone and online. You may obtain a Personalized Retirement Interview (PRI), which includes your retirement forms, at trs.illinois.gov or by calling (800) 877-7896. Our telephone hours are 7:30 a.m. to 4:30 p.m., Monday through Friday, with extended hours to 6:00 p.m. on Tuesdays and Thursdays.

To access PRI online, you must register for a user ID and password through our secure Account Access area, if you have not already done so. Whether you call or use our Web site, please be ready to tell us the last day you will work or the last day for which you will be paid. The online PRI will take approximately 30 minutes to complete.

You may also sign up for our automated e-mail message system to receive important messages about the progress of your retirement application.

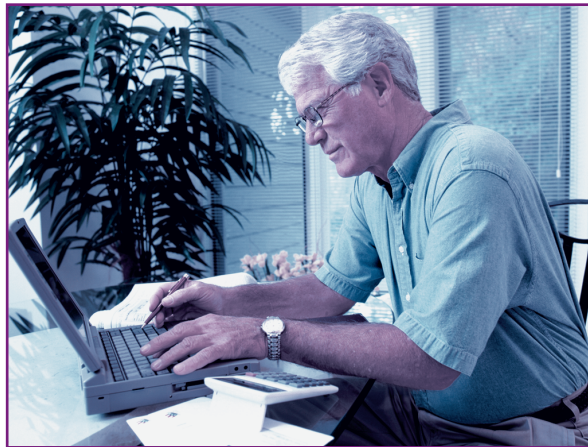
Required forms

Three to four weeks after your PRI, you will receive your packet with the following pre-filled forms:

- Retirement Application
- Teachers' Health Insurance Program (TRIP) Enrollment Form
- Direct Deposit Form
- Supplementary Report (may be completed and submitted by your employer as early as May 1, 2006)
- Sick Leave Certification form (your employer must also complete this)

2.2 balances and federal contribution limits

After-tax contributions must be received by TRS before July 31, 2006 for 2.2 and Early Retirement Option (ERO) balances. If you have remaining 2.2 balances, payment may be made through a lump sum, rollover, or a reduction from your monthly annuity check. Optional service balances must be paid prior to retirement.



Federal tax limitations apply to your total after-tax payments for 2.2 and ERO, which may not exceed your annual compensation, or \$42,000, whichever is less. These limitations do not apply to contributions made through a qualified rollover from another retirement plan such as a 403(b) savings plan or paid by your employer on your behalf.


Early Retirement Option (ERO)

Your ERO contribution cost will be calculated after we receive all of the necessary forms and optional service payments. Your employer may submit the supplementary report as early as May 1, 2006, to ensure that your ERO payment is received prior to July 31, 2006.

The bill for your ERO contributions will be sent to you. The employer bill will be sent to your employer after we calculate your pension benefit. We must receive your ERO payment (but not your employer's) before your pension benefits may begin.

Your first annuity payment

When pension benefits have been determined, you will receive a letter indicating the gross amount of your first annuity check, the gross amount of your following monthly checks, and the date that your first check will be mailed. Your first check will arrive between 60 and 90 days after all of the required forms and payments have been received and reviewed.

If you have any questions or concerns, please call our Member Services Department at (800) 877-7896 or send us an e-mail at members@trs.illinois.gov. 



Check your beneficiary designation for accuracy

TRS Teachers' Retirement System of the State of Illinois
2815 West Washington, P.O. Box 10253
Springfield, Illinois 62794-9253
(800) 877-7896
TDD (217) 753-0329

Member Information and Beneficiary Designation

Member Information (Print or type)

Last name: _____ Middle initial: _____ Maiden name: _____ Social Security number: _____

Street address: _____ Date of birth: _____

City and state: _____ ZIP code: _____

Home telephone number () _____ Work telephone number () _____ Cell phone number () _____

E-mail address: _____

Gender: ☐ Male ☐ Female

☐ Member of another Illinois public employee retirement system (specify system's name): _____

If the automatic designation is selected, do not complete parts A and B. If automatic designation is not selected, you must complete both parts A and B.

☐ Automatic Designation
In lieu of designating primary beneficiaries, or both primary and alternate beneficiaries in Parts A and B, I elect that my dependent beneficiaries, as determined at my death, receive a refund of any accumulated contributions and survivor benefits. If no dependent beneficiary survives, benefits will be paid to my estate.

Part A – Beneficiary Refund

Part A – Primary Beneficiaries			
First name	Last name	Date of birth	Relationship

Part A – Alternate Beneficiaries			
First name	Last name	Date of birth	Relationship

Part B – Beneficiary Refund

Part B – Primary Beneficiaries			
First name	Last name	Date of birth	Relationship

Part B – Alternate Beneficiaries			
First name	Last name	Date of birth	Relationship

If additional space is required, attach a separate sheet that indicates the following: Either Part A or B, type of beneficiary (primary or alternate), the first and last name of each beneficiary, and the date of birth and relationship of each beneficiary. Include your Social Security number, signature, and date on the attached sheet.

Member's Signature: _____ Date: _____

SIGNATURE IS MANDATORY (Signature pursuant to a General Power of Attorney is not accepted by TRS.)

1000011 100 4/04

Every so often, TRS must pay death benefits to an ex-spouse of a member or annuitant. The member may have remarried, but TRS must pay the beneficiary listed on the Member Information and Beneficiary Designation form. Unfortunately, the deceased member or annuitant may have simply forgotten to update this information when he or she divorced or remarried.

You can ensure that your beneficiary designation information is accurate. Go to the secure Member Account Access area on our Web site, trs.illinois.gov, to view this information online, or call the Member Services Department, (800) 877-7896. Beneficiary information is also listed on the TRS Benefits Report, which is mailed at the end of every calendar year to active and inactive members.

To change your beneficiaries, either download a new Member Information and Beneficiary Designation form from our Web site or request a form by calling Member Services.

First e-mail alert to members and annuitants a success

At noon on March 14, TRS e-mailed a legislative update notification to over 11,000 active members and annuitants who subscribe to the TRS E-mail Notification System.

On average, our Web site receives approximately 1,600 hits a day. During the afternoon the e-mail was sent, 4,964 members accessed the legislative update on our Web site. The following two days showed increased Web hits of 3,266 and 2,309.

To sign up for this informational service, you may check this option online in the secure Member Account Access area, send an e-mail to members@trs.illinois.gov (provide us your full name and last four digits of your Social Security number) or call us at (800) 877-7896.

Benefit Choice Period allows for health insurance changes

The annual Benefit Choice Period for the Teachers' Retirement Insurance Program (TRIP) participants is May 1-31, 2006. Benefit Choice is the time to make changes in TRIP coverage and to enroll yourself and eligible dependents if you have never previously been enrolled.

Important information from the Illinois Department of Central Management Services (CMS) about this year's Benefit Choice Period was mailed to retirees at the end of April. This information includes an explanation of health insurance options for the coming year and changes in coverage benefits and premiums.



Retiring members should plan for contribution limits if retiring in 2006

If you are retiring at the end of the 2005-06 school year, you may want to plan ahead to comply with federal tax law limits (also noted on previous page). Federal tax limitations apply to after-tax payments for ERO and 2.2 balances. The payments must be postmarked by July 31, 2006, if you are retiring this year and the payments may not exceed your annual compensation or \$42,000, whichever is less.

These limitations do not apply to contributions made through a qualified rollover from another retirement plan such as a 403(b) savings plan or paid by your employer on your behalf.



Our practices keep your TRS record confidential

Your privacy is important to us, and we take responsibility for maintaining the confidentiality of your personal information very seriously. Everything contained in your record is confidential.


However, we will provide information from your record to you, to others at your written request, to other retirement systems subject to the Illinois Retirement Systems Reciprocal Act, to the Illinois Department of Central Management Services for annuitant health insurance purposes, and to the Social Security Administration for government pension offset determination and windfall elimination purposes. Your information also may be given pursuant to a subpoena issued during court proceedings.

A member may ask his or her spouse to call us for information, but we are unable to provide any



information without prior approval from the member. If you wish to provide information about your TRS record to your spouse, please send written authorization to us. Upon receipt, we will make the proper notification on your record and release information according to your instructions.

To further protect your records, we completed an extensive project two years ago to remove your Social Security number from most correspondence sent to you. Your Social Security number has also been removed from many of the forms you are required to complete for us. In this case, your Social Security number has been replaced with a file number, which can be recognized only by us.

We are proud of our privacy practices and will continue to assess our policies and procedures to ensure complete confidentiality of your information. 

Be aware of three common investor traps

Scams may vary, but they all share a common goal of separating victims from their money. Here are three common scams to avoid.

Personal information scams


The scam artist may offer to help senior citizens qualify for prescription benefits by preparing forms. While helping the senior, the scamster may ask unnecessary questions about personal financial assets. To the con artist, this information provides details about finances that are available to steal.

Prime bank schemes

The promoter states that only wealthy people can benefit from high-yield, tax-free returns resulting from off-shore trades of bank debentures — but they can make it available to the investor. Investors are told not to consult attorneys, accountants, or financial planners because they keep these programs for the

wealthy and will deny the programs exist. In reality, there are no programs like this and your money will be “off shore” forever if you invest.

Recovery rooms

These schemes promise to recover monies that have been lost through bad investments — but only if a fee is paid in advance. Scam artists buy names and financial information of those who have lost monies in worthless investments and know who is vulnerable to this scam. 



Retired teacher from Southern Illinois turns 105 years old

Ask anyone in Carmi about E. Wave Jamerson and they will warmly describe her great sense of humor and her no-nonsense approach during her 57 years as an educator. Simply known as “Wave,” Miss Jamerson celebrated her 105th birthday on January 15 this year. Jamerson still lives in her own home in Carmi, along with a caregiver, and is among TRS’s oldest annuitants.

Jamerson began her career in 1921 as a teacher in a one-room schoolhouse called Wildcat Grade School near Springerton. Jamerson was the first woman coach of a boys’ basketball team in Illinois when she worked as the principal of Enfield High School.

She later taught in Poplar Ridge and in Grayville, then served as a principal at Grayville High School. During her time in the classroom, Jamerson taught all subjects. And she returned to school, attending Southern Illinois University, Asbury College and the University of Illinois. But Jamerson will be forever known as the long-serving librarian at Carmi High School, a position she held for decades before retiring in 1978 at age 77. During her time as librarian and study hall teacher, Jamerson earned the respect and loyalty of her former students, many who remain in contact with her today.

One such former student is Dr. Glenn Poshard, President of Southern Illinois University, and a former teacher, congressman, and Democratic gubernatorial candidate. Poshard said Jamerson ran a tight ship at school. “When you were in her library, you were either studying, reading the newspapers or a book. You were not socializing or disturbing the other students. Any help you needed, she was available and generous with her time. She expected high standards from the students, demanded much, and was respected by all of us. She was and is an incredible lady,” said Poshard. He attended Carmi High School from 1958-62.



Another former student is Carmi Mayor Jimmy Gaines, who stops by Jamerson’s home on her birthday each year to give her a rose. “I graduated in 1967 and she was my librarian the whole time I was in high school. She was fun to be around and has a wonderful sense of humor. But she was very strict . . . if you got out of line, you’d have to deal with her.” Gaines said he’s always kept in touch with Jamerson, visiting with her when she still drove herself downtown each month to pay her utility bills.

Jamerson drove a car until she was 99 years old, “until she felt like it wasn’t safe to be on the road,” said

Frances Matheny, Jamerson’s caregiver and friend. Matheny recalls a letter Jamerson recently received from a former student who’s now 81 years old and living in Kentucky. “She said in the letter that she didn’t think she could ever learn Shakespeare, but Wave made it so fun that she can still quote it today.” Matheny said hundreds of former students visit or keep in touch with Jamerson each year.

Jamerson has remained active in recent years — traveling to the Little Sturgis Motorcycle Rally in Sturgis, Kentucky last summer, taking dinner cruises on riverboats, and attending an annual class reunion of her students who graduated from Grayville High School in 1942. When she’s not traveling, Jamerson enjoys being at home and talking with visitors. “Right now I sit (at home) and look out the window. They say I love to talk too much. They give me a chance to talk, I do it,” said Jamerson.

She still goes to some meetings held by the Illinois

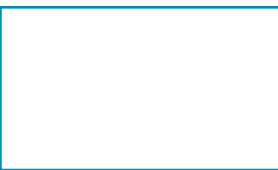
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Retired Teachers’ Association (IRTA) in Carmi. Art Saunders is the immediate past-president of the White County IRTA. He’s also one

of Jamerson’s former students


who went on to become a teacher and school administrator. “I worked in the library for Wave when I was in high school in 1959 and 1960. We just hit it off and we’ve always remained close,” Saunders said.

Jamerson continued on page 8



Jamerson *(continued from page 7)*

Jamerson was recognized and applauded for her many years of service at an IRTA meeting held last June in Carmi. “She attracts attention; she has a flamboyant personality. She’s a novelty at her age. People cater to her and she loves that,” said Saunders.

Jamerson says she always enjoyed being a teacher. “I had a pretty long career as a teacher. I loved teaching and I was glad I could do it. It was always a pleasure being with the children.” But the former educator has no lessons to teach on her longevity. “I’ve been here a long time. The secret? I don’t have any. The Lord let me live.” 

Board actions can be found on our Web site, trs.illinois.gov.

Office Information

2815 West Washington, P.O. Box 19253 Springfield, IL 62794-9253	4200 Commerce Court, Suite 100 Lisle, IL 60532-3611
Phone Toll Free: (800) 877-7896 Forms Order Line: (800) 207-6948	Web site trs.illinois.gov

Address changes

To ensure that all information about your retirement benefit reaches you, please notify us each time your mailing address changes. You may call us or send us the following information in writing:

- your name and Social Security number
- former street address, city, state, and ZIP
- new street address, city, state, and ZIP
- daytime telephone number.

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Topics & Report

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